

CITY OF ARANSAS PASS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2009

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City of Aransas Pass, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2009

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Introductory Section

CITY OF ARANSAS PASS, TEXAS
LIST OF PRINCIPAL OFFICIALS

Elected Officials

<u>Name</u>	<u>Office</u>
Tommy Knight	Mayor
Jay Attaway	Mayor Pro Tempore
Karen Mayer	Council Member
Vicki Abrego	Council Member
Phillip Hyatt	Council Member

Appointed Officials

<u>Name</u>	<u>Position</u>
Reggie Winters	City Manager
Ada Owens	City Secretary
Sandy Roddel	Finance Director
Allen Lawrence, Jr.	City Attorney
Darrell Jones	Chief of Police
Donna Cox	Municipal Court Judge
Frank Truitt	Building Inspector
Paul Alvarado	Director of Public Works

Financial Section

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Michael A. Arnold, PLLC

501 E. MARKET

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545

P.O. BOX 1266

FAX (361) 790-9692

ROCKPORT, TEXAS 78381-1266

Independent Auditor's Report on Financial Statements

City Council
City of Aransas Pass, Texas
P.O. Box 2000
Aransas Pass, Texas 78335

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Aransas Pass, Texas as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Aransas Pass, Texas's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Aransas Pass, Texas as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2010, on our consideration of City of Aransas Pass, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the City of Aransas Pass, Texas's basic financial statements. The accompanying combining and individual fund financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael A. Arnold, PLLC". The signature is written in a cursive, flowing style.

Michael A. Arnold, PLLC

March 29, 2010

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Aransas Pass's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the City's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

City's Change in Net Assets – Governmental and Business-Type Activities

Total government-wide net assets decreased \$195,804 as a result of this year's operations. Governmental activities decreased \$92,956 with the balance of \$102,848 resulting from business-type activities.

General Fund Performance

As a result of this year's operations, the General fund reported a \$46,210 increase to fund balance.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15 and 16) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund finance statements start on page 42. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the central concerns in assessing any City's finances is summarized in the question, "Is the City as a whole better off or worse off as a result of the year's activities?" Our analysis addressing this question begins on page 6. The analysis includes a condensed summary of the government-wide financial statements – The Statement of Net Assets and the Statement of Activities, which present information about the City in a way that facilitates answering this question. These statements are presented much like the private-sector companies – including all assets and liabilities using the

accrual basis of accounting. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

These government-wide financial statements report both net assets and changes thereto. Net assets are reported in the Statement of Net Assets. The City's net assets, which is the difference between assets and liabilities, is one indicator of the City's financial well-being or financial position at one point in time. Increases or decreases to net assets over a period of time is an indication of whether its financial well-being is improving or deteriorating. Of course, other non-financial considerations enter into the determination of the City's overall health, which would include such things as changes in the City's property tax base and the condition of its streets.

Changes to net assets are reported in the Statement of Activities, which divides all City functions into two categories:

Governmental activities – Most of the City's basic services are reported in this category, which includes public safety (including police and fire), highways and streets, health and welfare, culture and recreation and general administration. These activities are primarily supported by sales and property taxes and franchise fees.

Business-type activities – Certain services that the City provides are paid for from fees that are charged to customers. Water, wastewater, harbor rentals and the Aquatic Center, are activities that are reported in this category.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds commences on page 16. The fund financial statements are presented on pages 42 through 58. These statements present detailed information about the City's more significant funds as opposed to the City as a whole. Funds are established for various reasons – some are required by state law; others, by bond covenants. Some funds are established by the City Council to assist in managing money that is to be spent for particular purposes. For example, the Aquatic Center Fund was established to demonstrate that money received for the operation of the Pool were used for that purpose. The city has two categories of funds, which can be used for public purpose – governmental and proprietary. Each category uses a different accounting approach.

Governmental funds – Most of the City's basic services are reported in governmental funds. These funds focus on the flow of money into and out of the funds and the balance left over at the end of the year that is available for future spending. Governmental funds use a method of accounting called modified accrual. The purpose of this method is to measure cash and other financial assets that can readily be converted to cash. This approach provides a detailed short-term perspective of the City's general government operations and the basic services it provides. This view of the City's operations provides

information that helps to determine the extent to which financial resources are available to spend in the near future to finance City programs. The relationship between these governmental fund financial statements and the governmental activities column shown in the government-wide financial statements is shown in the form of a reconciliation presented on the page following each governmental fund financial statement.

Proprietary funds- Services provided to either outside customers or to another unit of the City, where a fee is charged, are generally reported in proprietary funds. Proprietary funds are reported the same way that is used in the government-wide financial statements. Matter of fact, the City's enterprise funds (a component of proprietary funds) are substantially the same as the business-type activities column of the government-wide financial statements but provides more detail including cash flows. The other component of proprietary funds is internal service funds.

THE CITY AS A WHOLE

The City's Condensed Statement of Net Assets is presented in Table 1.

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	5.7	9.8	2.5	2.4	8.2	12.2
Capital Assets	22.0	19.2	6.8	7.0	28.8	26.2
Total Assets	27.7	29.0	9.3	9.4	37.0	38.4
Long-term debt outstanding	18.4	19.3	1.9	2.0	20.3	21.3
Other liabilities	.5	.9	.3	.2	.8	1.1
Total liabilities	18.9	20.2	2.2	2.2	21.1	22.4
Net assets:						
Invested in capital assets,						
Net of debt	3.8	2.2	4.9	5.0	8.7	7.2
Restricted	3.2	6.4	0.0	0.0	3.2	6.4
Unrestricted (deficit)	1.8	.3	2.2	2.2	4.0	2.5
Total net assets	8.8	8.9	7.1	7.2	15.9	16.1

Net assets of the City's governmental activities decreased \$92,956.

The net assets of the City's business-type activities decreased \$102,848.

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	2.2	1.9	4.1	4.0	6.3	5.9
Grants	0.3	0.1		0.2	0.3	0.3
General revenues:						
Property taxes	2.9	3.0			2.9	3.0
Sales tax	2.3	2.2			2.3	2.2
Other taxes	0.6	0.6			0.6	0.6
Other general revenues	0.2	0.6	.1	0.1	0.2	0.7
Total revenues	8.5	8.4	4.2	4.3	12.7	12.7
Program expenses						
General government	1.2	1.0			1.2	1.0
Public safety	2.8	2.7			2.8	2.7
Public works	1.0	1.0			1.0	1.0
Sanitation	1.1	1.1			1.1	1.1
Health and Welfare	0.4	0.2			0.4	0.2
Tourism	0.2	0.1			0.2	0.1
Culture and recreation	1.2	0.6			1.2	0.6
Interest on long-term debt	.9	1.0			.9	1.0
Water and Sewer			3.6	3.0	3.6	3.0
Harbor			0.2	0.2	0.2	0.2
Aquatic Center			0.3	0.4	0.3	0.4
Total expenses	8.8	7.7	4.1	3.6	12.9	11.3
Excess (deficiency)						
Before special items						
And transfers	(0.3)	0.7	0.1	0.7	(0.2)	1.4
Transfers	0.2	0.3	(.2)	(.3)	-	-
Increase (decrease)						
In net assets	(0.1)	1.0	(.1)	0.4	(0.2)	1.4

Total revenues generated from both governmental and business-type activities this year amounted to \$12.7 million.

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$8.5 million. Expenses came in at \$8.8 million.

The cost of all governmental activities this year was \$8.8 million. However, as shown on the Statement of Activities on pages 14 and 15, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$6.3 million. \$2.2 million to finance these programs was paid by those who directly benefited from them, bond funds, construction funds and by other governments that subsidized certain programs with grants.

Table 3 presents the cost of each of the City's six largest programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	2008	2008	2008	2008
Public Safety	2.8	2.7	2.2	2.1
General Government	1.2	1.0	1.0	0.8
Public Works	1.0	1.0	0.9	0.9
Sanitation	1.1	1.1	(.2)	(.2)
Health and Welfare	0.4	0.2	.2	.2
Culture and Recreation	1.2	0.6	1.0	.6
Total	7.7	6.6	5.1	4.4

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$4.2 million. Expenses came in at \$4.1 million, leaving \$0.1 million as an increase to net assets before transfers. An additional net \$0.2 million in transfers to business-type activities was made, resulting in an all-inclusive decrease to net assets amounting to \$0.1 million.

More details will be provided about governmental and business-type activities' operations later in this discussion and analysis.

THE CITY'S FUNDS

As a result of this year's operation, governmental funds (as reflected in the balance sheet on page 16) reduced combined fund balance to \$4.2 million, a decrease of \$3.7 million from last year. This was primarily due to the construction of the Civic Center and other capital outlay which totaled 3.5 million.

Governmental Funds - A Detailed Discussion

Revenues and Transfers-In

The following table presents a summary of total governmental funds' revenues for the years ended September 30, 2009 and 2008.

Table 4
Revenues and Transfers-In

Revenues and Transfers- In	2009 Amount	% of Total	2008 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Taxes	5,773,894	68	5,763,768	10,126	1
Licenses & Permits	63,368	1	65,787	(2,419)	(4)
Intergovernmental	290,681	4	93,322	197,359	211
Charges for services	1,557,015	18	1,319,462	237,553	18
Fines and Forfeitures	340,054	4	373,455	(33,401)	(9)
Other	447,883	5	801,927	(354,094)	(44)
Total	8,472,845	100	8,417,721	55,124	

Taxes

Property Taxes

Property taxes decreased \$81,144 over last year.

Other Taxes

This year's reported franchise taxes as a whole increased \$8,239 from the prior year.

Miscellaneous

Miscellaneous revenues totaling \$447,883 largely consists of special assessments, rents and royalties, interest and PILOT – Industrial Development District.

Table 5
Expenditures and Transfers-Out

Expenditures and Transfers- Out	2009 Amount	Percent of Total	2008 Amount	Percent Change
General government	1,178,893	9	1,022,225	15
Public safety	2,637,772	21	2,542,801	4
Public Works	728,658	6	747,534	(3)
Sanitation , Health and Welfare	1,527,638	12	1,244,466	23
Recreation & Tourism	1,105,994	9	605,264	83
Capital Outlay	3,463,337	28	9,926,524	(65)
Debt Service:				
Principal	983,071	8	1,038,071	(5)
Interest and Fiscal Charges	890,164	7	1,015,354	(12)
Total	12,515,527	100	18,142,239	(31)

Fund Balance

Combined fund balance for all of the governmental fund types decreased \$3,796,945, from a balance of \$7,967,004 in the prior year to \$4,170,059 as of the current fiscal year end.

General Fund

Revenues and transfers-in generated \$5,659,631 and 720,392, respectively, aggregating \$6,380,023. Expenditures and transfers-out amounted to \$6,188,632 and \$237,601, respectively, aggregating \$6,426,233. The resulting effect on fund balance represented a decrease of \$46,210. The transfers out were primarily to the Aquatic Center Fund to cover operating costs.

AP Municipal Development District Fund

The fund balance of the AP Municipal Development District Fund decreased from \$4,554,914 in the prior year to \$1,408,834, a decrease of \$3,146,080. The District is a

separate legal entity, but has been reported as a blended component unit in the financial statements. The District provides financing services to the City.

Debt Service Fund

The fund balance of the debt service fund increased from \$453,818 in the prior year to \$483,247, an increase of \$29,429.

PROPRIETARY FUNDS

Enterprise Funds

The City's enterprise operations consist of the Water and Sewer Fund, Harbor Fund, and the Aquatic Center.

General Comments

Increases of the cost of water purchased from San Patricio Municipal Water District were passed on to the customers attributing to the increased revenues. Revenues were up largely due to this increase.

Consumption

Historical consumption and its percentage increase (decrease) from the previous year, over the last three years, are presented in the following table:

**Table 6
Consumption**

Fiscal Year	08-09	07-08	% Increase/ Decrease	06-07	% Increase/Dec rease
Total Consumption	438,633,990	439,000,800	(.1)%	436,988,100	.5%

Growth in Customer Base

The City of Aransas Pass has seen a growth in the customer base on the average of 1% annually since 2005. Meter connections decreased slightly in 2009 due to the decrease at the Navy Housing. This is illustrated in the table below:

Table 7

Growth in Customer Base

Fiscal Year	08-09	07-08	% Increase/ Decrease	06-07	% Increase/ Decrease
Total Meter Connections	3,804	3,875	.2%	3,774	3%

Utility System Fund

Operating revenues for the Water and Sewer Fund were \$3,632,810, which is \$4,501 less than 2008. Expenses were \$3,052,311, which is \$151,528 more than 2008.

Harbor Fund

The Harbor Fund is funded with rental revenue. Revenues for the Harbor totaled \$160,237, which is \$18,500 more than revenues for 2008. Expenses for the same period were \$389,666, a total of \$105,719 more than 2008. The Harbor is undergoing various clean up projects.

Aquatic Center

The Aquatic Center is funded with revenue from admissions, passes, rentals, instructional classes and concessions. Revenues for the Aquatic Center totaled \$323,373, which is \$88,900 more than revenues for 2008. Expenses for the same period were \$476,724, a total of \$113,186 more than 2008.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$28,783,328 in capital assets.

Table 8
Capital Assets at Year-end
(Net of Depreciation,)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2009	2009	2008
Land	7.5	7.5	.3	.3	7.8	7.8
Const in Prog.		3.7		.3		4.0
Buildings and improvements	10.0	4.1	.5	.5	10.5	4.6
Equipment	1.8	1.2	.3	.3	2.1	1.5
Infrastructure	2.7	2.8	5.7	5.4	8.4	8.2
Totals	22.0	19.3	6.8	6.8	28.8	26.1

The City began accounting for infrastructure for Governmental Activities in 2006 as required by GASB 34. Prior to 2006, infrastructure for Governmental Activities was expensed in accordance with the accounting rules in effect at that time.

Debt Administration

The City of Aransas Pass is authorized to issue bonds, for any purpose for which a city may issue bonds under the constitution and laws of the State of Texas.

Type of Debt Issued

The types of debt the City has issued are revenue bonds, general obligation refunding bonds, and combination tax and revenue certificates of obligation. At September 30, 2009, the City had no bonds of any type approved that had not been issued.

Bond Ratings

The City's bond rating as of last issue from Standard and Poor's was upgraded to A+.

Bonds Outstanding

At the end of the fiscal year, the City had \$20.3 million in bonds outstanding – as shown in Table 9.

Table 9
Outstanding Debt at Year-end
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
General obligation bonds (backed by the City)	18.4	19.3	1.9	2.0	20.3	21.3
Revenue bonds (backed by specific tax and fee revenues)	0.0	0.0	0.0	0.0	0.0	0.0
Totals	18.4	19.3	1.9	2.0	20.3	21.3

There were no bonds issued in fiscal 2009. In October, 2009, the City issued \$465,000 of Tax Anticipation Notes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the budget process for fiscal year 2009-10 the elected and appointed officials considered many factors including the forces driving the economy in their budget decisions, including the increased housing starts, increased development, and raw land being turned into retail and housing.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to inform the citizens, taxpayers and customers of the City of Aransas Pass as well as its investors and creditors about the City's finances and to provide accountability for the public support that it receives. If you have any questions about the report or need additional financial information, contact the Finance Director's Office at the City of Aransas Pass, 600 E. Cleveland, Aransas Pass, Texas 78336.

Basic Financial Statements

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CITY OF ARANSAS PASS, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 2,197,489	\$ 1,602,529	\$ 3,800,018
Receivables (net of allowances for uncollectibles):			
Property Taxes	371,782	--	371,782
Accounts	132,436	396,456	528,892
Occupancy Taxes	55,516	--	55,516
Sales Taxes	123,885	--	123,885
Assessments	380,569	--	380,569
Fines	179,135	--	179,135
Intergovernmental	15,072	--	15,072
Internal Balances	387,560	(387,560)	--
Inventories	6,615	--	6,615
Prepaid items	55,322	--	55,322
Restricted Assets:			
Cash and Cash Equivalents	1,496,179	832,761	2,328,940
Sales Taxes Receivable	48,810	--	48,810
Unamortized Bond Costs	256,230	83,229	339,459
Capital Assets:			
Land	7,507,865	308,583	7,816,448
Buildings	8,929,041	--	8,929,041
Water and Sewer System	--	11,204,012	11,204,012
Improvements other than Buildings	2,887,215	2,669,758	5,556,973
Furniture and Equipment	3,799,324	1,152,682	4,952,006
Infrastructure	3,268,501	--	3,268,501
Less Accumulated Depreciation	(4,380,689)	(8,562,964)	(12,943,653)
Total Assets	<u>27,717,857</u>	<u>9,299,486</u>	<u>37,017,343</u>
LIABILITIES:			
Accounts Payable and Other Current Liabilities	329,018	153,332	482,350
Accrued Interest Payable	175,896	11,795	187,691
Customer Deposits	19,807	--	19,807
Liabilities Payable from Restricted Assets			
Customer Deposits	--	167,903	167,903
Noncurrent Liabilities-			
Due within one year	1,142,071	117,000	1,259,071
Due in more than one year	17,272,195	1,774,303	19,046,498
Total Liabilities	<u>18,938,987</u>	<u>2,224,333</u>	<u>21,163,320</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,754,958	4,892,071	8,647,029
Restricted For:			
Public Library	68,045	--	68,045
Debt Service	634,888	--	634,888
Tourism	216,406	--	216,406
Building Security	51,304	--	51,304
Emergency Services	65,757	--	65,757
Law Enforcement	58,392	--	58,392
Court Technology	6,284	--	6,284
Capital Outlay	602,005	--	602,005
Special Projects	1,501,199	--	1,501,199
Unrestricted	1,819,632	2,183,082	4,002,714
Total Net Assets	<u>\$ 8,778,870</u>	<u>\$ 7,075,153</u>	<u>\$ 15,854,023</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,213,190	\$ 189,852	\$ --	\$ --
Public Safety	2,791,635	479,603	99,295	--
Public Works	975,070	23,118	--	--
Sanitation	1,162,022	1,333,719	7,596	--
Health and Welfare	378,774	3,945	187,200	--
Culture and Recreation	1,194,849	148,694	13,655	--
Tourism	174,744	--	--	--
Interest and Fiscal Charges	916,780	--	--	--
Total Governmental Activities	8,807,064	2,178,931	307,746	--
Business-type Activities:				
Water and Sewer	3,125,718	3,632,810	--	3,080
Harbor	389,666	160,237	--	--
Aquatic Center	476,724	323,373	--	--
Total Business-type Activities	3,992,108	4,116,420	--	3,080
Total Primary Government	\$ 12,799,172	\$ 6,295,351	\$ 307,746	\$ 3,080
General Revenues:				
Property Taxes				
Sales Taxes				
Franchise Taxes				
Mixed Beverage Taxes				
Occupancy Taxes				
Interest Income				
Insurance Proceeds				
Royalties				
Miscellaneous				
Transfers				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,023,338)		\$ (1,023,338)
(2,212,737)		(2,212,737)
(951,952)		(951,952)
179,293		179,293
(187,629)		(187,629)
(1,032,500)		(1,032,500)
(174,744)		(174,744)
(916,780)		(916,780)
<u>(6,320,387)</u>		<u>(6,320,387)</u>
--	\$ 510,172	510,172
--	(229,429)	(229,429)
--	(153,351)	(153,351)
--	127,392	127,392
<u>(6,320,387)</u>	<u>127,392</u>	<u>(6,192,995)</u>
2,891,106	--	2,891,106
2,326,056	--	2,326,056
393,495	--	393,495
8,327	--	8,327
173,469	--	173,469
60,477	15,497	75,974
22,701	--	22,701
85,867	--	85,867
20,196	--	20,196
245,737	(245,737)	--
<u>6,227,431</u>	<u>(230,240)</u>	<u>5,997,191</u>
(92,956)	(102,848)	(195,804)
8,871,826	7,178,001	16,049,827
<u>\$ 8,778,870</u>	<u>\$ 7,075,153</u>	<u>\$ 15,854,023</u>

CITY OF ARANSAS PASS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	General Fund	AP Municipal Development District
ASSETS		
Cash and Cash Equivalents	\$ 1,065,920	\$ --
Receivables (net of allowances for uncollectibles):		
Property Taxes	223,141	--
Accounts	132,436	--
Occupancy Taxes	--	--
Sales Taxes	123,885	--
Assessments	--	--
Intergovernmental	15,072	--
Due from Other Funds	497,952	--
Inventories	2,603	--
Restricted Assets:		
Cash and Cash Equivalents	--	1,495,174
Sales Taxes Receivable	--	48,810
Total Assets	<u>\$ 2,103,788</u>	<u>\$ 1,543,984</u>
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	\$ 289,546	\$ 24,758
Due to Other Funds	1,680	110,392
Deferred Revenue	223,141	--
Total Liabilities	<u>514,367</u>	<u>135,150</u>
Fund Balances:		
Reserved Fund Balances:		
Reserved for Inventories	2,603	--
Reserved for Prepaid Expenses	42,779	--
Reserved for Debt Service	--	--
Reserved for Tourism	--	--
Reserved for Law Enforcement	--	--
Reserved for Special Projects	--	1,408,834
Reserved for Public Library	--	--
Reserved for Capital Outlay	--	--
Reserved for Emergency Services	--	--
Reserved for Court Technology	--	--
Reserved for Building Security	--	--
Unreserved, Undesignated	1,544,039	--
Total Fund Balance	<u>1,589,421</u>	<u>1,408,834</u>
Total Liabilities and Fund Balance	<u>\$ 2,103,788</u>	<u>\$ 1,543,984</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ 484,957	\$ 124,985	\$ 521,627	\$ 2,197,489
148,641	--	--	371,782
--	--	--	132,436
--	--	55,516	55,516
--	--	--	123,885
--	380,569	--	380,569
--	--	--	15,072
1,290	--	390	499,632
--	--	4,012	6,615
--	--	1,005	1,496,179
--	--	--	48,810
<u>\$ 634,888</u>	<u>\$ 505,554</u>	<u>\$ 595,093</u>	<u>\$ 5,383,307</u>
\$ --	\$ --	\$ 14,714	\$ 329,018
--	--	--	112,072
148,641	380,569	--	752,351
<u>148,641</u>	<u>380,569</u>	<u>34,521</u>	<u>1,213,248</u>
--	--	4,012	6,615
--	--	12,543	55,322
486,247	--	--	486,247
--	--	216,406	216,406
--	--	58,392	58,392
--	--	76,504	1,485,338
--	--	68,045	68,045
--	--	1,325	1,325
--	--	65,757	65,757
--	--	6,284	6,284
--	--	51,304	51,304
--	124,985	--	1,669,024
<u>486,247</u>	<u>124,985</u>	<u>560,572</u>	<u>4,170,059</u>
<u>\$ 634,888</u>	<u>\$ 505,554</u>	<u>\$ 595,093</u>	<u>\$ 5,383,307</u>

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CITY OF ARANSAS PASS, TEXAS
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009**

Total fund balances - governmental funds balance sheet	\$ 4,170,059
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	22,011,257
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	371,782
Payables for bond principal which are not due in the current period are not reported in the funds.	(18,183,446)
Payables for bond interest which are not due in the current period are not reported in the funds.	(175,896)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(146,967)
Payables for contracts which are not due in the current period are not reported in the funds.	(72,853)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	179,135
OPEB obligation is not reported in the funds.	(11,000)
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	380,569
Bond issue costs are reported on statement of net assets but not in funds.	256,230
Net assets of governmental activities - statement of net assets	\$ <u>8,778,870</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	AP Municipal Development District
Revenue:		
Taxes:		
General Property Taxes	\$ 1,536,822	\$ --
Sales Taxes	1,597,381	728,675
Franchise Taxes	393,495	--
Occupancy Taxes	--	--
Mixed Beverage Taxes	8,327	--
License and Permits	63,368	--
Intergovernmental	17,991	--
Charges for Services	1,337,929	--
Fines and Forfeitures	323,685	--
Special Assessments	--	--
Interest	16,105	32,390
Rents and Royalties	185,795	--
PILOT - Industrial Development District	136,206	--
Other	42,527	370
Total revenues	<u>5,659,631</u>	<u>761,435</u>
Expenditures:		
Current:		
General Government	1,173,838	5,055
Public Safety	2,447,686	--
Public Works	728,658	--
Sanitation	1,162,022	--
Health and Welfare	170,681	--
Culture and Recreation	396,459	18,722
Tourism	--	--
Debt Service:		
Principal	6,071	260,000
Interest and Fiscal Charges	--	298,554
Fiscal Agent's Fees	--	500
Capital Outlay	103,217	2,759,440
Total Expenditures	<u>6,188,632</u>	<u>3,342,271</u>
Excess (Deficiency) of Revenues		
Over (Under) Expenditures	<u>(529,001)</u>	<u>(2,580,836)</u>
Other Financing Sources (Uses):		
Operating Transfers In	720,392	--
Operating Transfers Out	(237,601)	(565,244)
Total Other Financing Sources (Uses)	<u>482,791</u>	<u>(565,244)</u>
Net Change in Fund Balances	(46,210)	(3,146,080)
Fund Balances - Beginning	1,635,631	4,554,914
Fund Balances - Ending	<u>\$ 1,589,421</u>	<u>\$ 1,408,834</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,335,725	\$ --	\$ --	\$ 2,872,547
--	--	--	2,326,056
--	--	--	393,495
--	--	173,469	173,469
--	--	--	8,327
--	--	--	63,368
--	--	272,690	290,681
--	--	219,086	1,557,015
--	--	16,369	340,054
--	12,989	--	12,989
4,814	2,116	5,052	60,477
--	--	--	185,795
--	--	--	136,206
--	--	9,469	52,366
<u>1,340,539</u>	<u>15,105</u>	<u>696,135</u>	<u>8,472,845</u>
--	--	--	1,178,893
--	--	190,086	2,637,772
--	--	--	728,658
--	--	--	1,162,022
--	--	194,935	365,616
--	--	516,069	931,250
--	--	174,744	174,744
717,000	--	--	983,071
590,640	--	--	889,194
470	--	--	970
--	--	600,680	3,463,337
<u>1,308,110</u>	<u>--</u>	<u>1,676,514</u>	<u>12,515,527</u>
<u>32,429</u>	<u>15,105</u>	<u>(980,379)</u>	<u>(4,042,682)</u>
--	--	542,190	1,262,582
--	--	(214,000)	(1,016,845)
--	--	328,190	245,737
<u>32,429</u>	<u>15,105</u>	<u>(652,189)</u>	<u>(3,796,945)</u>
453,818	109,880	1,212,761	7,967,004
<u>\$ 486,247</u>	<u>\$ 124,985</u>	<u>\$ 560,572</u>	<u>\$ 4,170,059</u>

CITY OF ARANSAS PASS, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Net change in fund balances - total governmental funds	\$ (3,796,945)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,463,337
The depreciation of capital assets used in governmental activities is not reported in the funds.	(653,146)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	8,620
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	9,939
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	977,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	6,071
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(17,268)
(Increase) decrease in accrued interest from beginning of period to end of period.	6,264
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(47,183)
Certain assessment revenues are deferred in the funds. This is the change in these amounts this year.	(7,456)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	(15,577)
Change in OPEB obligation is reported in the SOA, but not reported in the funds.	(11,000)
Amortization of deferred loss on defeasance are reported in the SOA but not in the funds.	(15,612)
Change in net assets of governmental activities - statement of activities	\$ <u>(92,956)</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS**STATEMENT OF NET ASSETS****ENTERPRISE FUNDS****SEPTEMBER 30, 2009**

	Enterprise Fund Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,574,306	\$ 28,223	\$ 1,602,529
Receivables (net of allowances for uncollectibles):			
Accounts	388,285	8,171	396,456
Total Current Assets	<u>1,962,591</u>	<u>36,394</u>	<u>1,998,985</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents			
Cash	832,761	--	832,761
Bond Issuance cost, net	83,229	--	83,229
Capital Assets:			
Land	308,583	--	308,583
Improvements Other Than Buildings	--	2,669,758	2,669,758
Water System	3,203,578	--	3,203,578
Sewer System	8,000,434	--	8,000,434
Machinery and Equipment	1,113,255	39,427	1,152,682
Less Accumulated Depreciation	(6,341,622)	(2,221,342)	(8,562,964)
Total Noncurrent Assets	<u>7,200,218</u>	<u>487,843</u>	<u>7,688,061</u>
Total Assets	<u>\$ 9,162,809</u>	<u>\$ 524,237</u>	<u>\$ 9,687,046</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 145,548	\$ 7,784	\$ 153,332
Due to other funds	387,451	109	387,560
Accrued interest payable	11,795	--	11,795
Compensated absences pay. - current	2,000	--	2,000
Certificates of Obligation Payable-current	115,000	--	115,000
Total Current Liabilities	<u>661,794</u>	<u>7,893</u>	<u>669,687</u>
Current Liabilities Payable from Restricted Assets-			
Customer Deposits	167,903	--	167,903
Total Current Liabilities Payable			
Noncurrent Liabilities:			
Bonds and Certificates of Oblg. Payable	1,765,000	--	1,765,000
Compensated absences payable	9,303	--	9,303
Total Noncurrent Liabilities	<u>1,774,303</u>	<u>--</u>	<u>1,774,303</u>
Total Liabilities	<u>2,604,000</u>	<u>7,893</u>	<u>2,611,893</u>
NET ASSETS:			
Investment in Capital Assets, Net of Related Debt	4,404,228	487,843	4,892,071
Unrestricted Net Assets	2,154,581	28,501	2,183,082
Total Net Assets	<u>\$ 6,558,809</u>	<u>\$ 516,344</u>	<u>\$ 7,075,153</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXASSTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Fund Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES:			
Charges for services	\$ 3,632,810	\$ 483,610	\$ 4,116,420
Total Operating Revenues	<u>3,632,810</u>	<u>483,610</u>	<u>4,116,420</u>
OPERATING EXPENSES:			
Personal services	664,725	205,648	870,373
Contractual services	482,042	131,453	613,495
Supplies	1,497,116	109,959	1,607,075
Maintenance	139,676	340,587	480,263
Other	--	8,788	8,788
Depreciation and Amortization	268,752	69,955	338,707
Total Operating Expenses	<u>3,052,311</u>	<u>866,390</u>	<u>3,918,701</u>
Operating Income	<u>580,499</u>	<u>(382,780)</u>	<u>197,719</u>
NON-OPERATING REVENUES (EXPENSES):			
Intergovernmental revenue	3,080	--	3,080
Interest income	14,654	843	15,497
Interest expense	(73,407)	--	(73,407)
Total Non-operating Revenues (Expenses)	<u>(55,673)</u>	<u>843</u>	<u>(54,830)</u>
Income before Transfers	<u>524,826</u>	<u>(381,937)</u>	<u>142,889</u>
Operating transfers In	94,328	254,263	348,591
Operating transfers out	(594,328)	--	(594,328)
Change in Net Assets	<u>24,826</u>	<u>(127,674)</u>	<u>(102,848)</u>
Total Net Assets - Beginning	6,533,983	644,018	7,178,001
Total Net Assets - Ending	<u>\$ 6,558,809</u>	<u>\$ 516,344</u>	<u>\$ 7,075,153</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Funds		
	Water & Sewer Fund	Other Funds	Totals
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 3,678,451	\$ 496,063	\$ 4,174,514
Cash Received from Grants	--	--	--
Cash Receipts (Payments) for Operating Transactions with Other Funds	33,015	(57,909)	(24,894)
Cash Payments to Employees for Services	(669,145)	(209,104)	(878,249)
Cash Payments to Other Suppliers for Goods and Services	(2,014,886)	(585,207)	(2,600,093)
Net Cash Provided (Used) by Operating Activities	<u>1,027,435</u>	<u>(356,157)</u>	<u>671,278</u>
Cash Flows from Non-capital Financing Activities:			
Operating Grants Received	3,080	--	3,080
Transfers From Other Funds	94,328	254,263	348,591
Transfers To Other Funds	(594,328)	--	(594,328)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(496,920)</u>	<u>254,263</u>	<u>(242,657)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal and Interest Paid	(184,035)	--	(184,035)
Acquisition or Construction of Capital Assets	(128,122)	--	(128,122)
Proceeds from Capital Grants	--	--	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(312,157)</u>	<u>--</u>	<u>(312,157)</u>
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	14,654	843	15,497
Net Cash Provided (Used) for Investing Activities	<u>14,654</u>	<u>843</u>	<u>15,497</u>
Net Increase (Decrease) in Cash and Cash Equivalents	233,012	(101,051)	131,961
Cash and Cash Equivalents at Beginning of Year	2,174,055	129,274	2,303,329
Cash and Cash Equivalents at End of Year	<u>\$ 2,407,067</u>	<u>\$ 28,223</u>	<u>\$ 2,435,290</u>

Reconciliation of Operating Income to Net Cash**Provided by Operating Activities:**

Operating Income (Loss)	\$ 580,499	\$ (382,780)	\$ 197,719
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation and Amortization	268,752	69,955	338,707
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	36,544	12,453	48,997
Increase (Decrease) in Accounts Payable	103,948	5,580	109,528
Increase (Decrease) in Interfund Payables	33,015	(57,909)	(24,894)
Increase (Decrease) in Accrued Expenses	(4,420)	(3,456)	(7,876)
Increase (Decrease) in Customer Deposits	9,097	--	9,097
Total Adjustments	<u>446,936</u>	<u>26,623</u>	<u>473,559</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,027,435</u>	<u>\$ (356,157)</u>	<u>\$ 671,278</u>

The accompanying notes are an integral part of this statement.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Significant Accounting Policies

The combined financial statements of City of Aransas Pass, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The City of Aransas Pass, Texas was incorporated under the General Laws of the State of Texas on April 5, 1910, with said Charter having been amended (Home Rule City Act) on November 27, 1951. The City operates under a home rule charter with a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and parks and recreation, planning and social services, cultural-recreation, public improvements, planning and zoning, and general administrative services.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Blended Component Units

Blended component units provide services exclusively or almost exclusively for the City, and/or their Board of Directors are substantially the same as the City Council. The following blended component units are reported:

Aransas Pass Municipal Development District

The Aransas Pass Municipal Development District (the District) was created pursuant to the provisions of Chapter 377 of the Texas Local Government Code by a general election on May 2, 1998. A 1/2 cent sales tax was approved by the voters to fund the District's development projects. The City Council appoints all of the District's board members and can remove them at will. Since the City appoints the board of directors, the District provides services to the exclusive benefit of the City, and makes debt service payments for the City, it has been reported as a blended component unit in a special revenue fund. The District issues separate financial statements which are available upon request.

Aransas Pass Civic Center

The Aransas Pass Civic Center was constructed from certificates of obligation issued in 2007 and from funds of the Aransas Pass Municipal Development District. The City contracted with Venu Works of Aransas Pass, LLC to manage the Civic Center. Venu Works handles all operations of the Civic Center independent of the

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

City. The Civic Center is subsidized by the Aransas Pass Municipal Development District. Due to the financial interdependency of the Aransas Pass Civic Center, it is a blended component unit reported as a special revenue fund. The Civic Center does not issue separate financial statements.

Aransas Pass Crime Control and Prevention District

In May 2009, the voters approved the creation of the Aransas Pass Crime Control and Prevention District which will be funded by a 1/2 cent sales tax. Board Members are appointed by the City Council. Although the District is legally separate from the City, the District will be reported as if it were part of the primary government because it is a financing mechanism for the City to provide public safety to the citizens of the City. The sales tax did not go into effect until October, 2009, accordingly there are no transactions to report in these financial statements.

Discretely Presented Component Units

There are no component units which require discrete presentation.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Aransas Pass Municipal Development Fund. This fund accounts for revenues and expenditures of the Aransas Pass Municipal Development District which is described above.

Debt Service Fund. This fund accounts for the resources accumulated and payments made for the principal and interest on long-term general obligation debt of the City.

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Capital Improvements Fund. This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The City reports the following major enterprise funds:

Water and Sewer Fund. This fund accounts for the operations of the City's water and sewer system.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on

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receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$3,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	30-40
Other Improvements	20-25
Machinery and Equipment	5-10
Water and Sewer System	30-50

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Compensated Absences

The City allows employees to accumulate earned, but unused vacation which will be paid to employees upon separation from the City's service. This liability is accrued when incurred in the government-wide and proprietary fund financial statements.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or

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expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Accounting Changes

Two statements for the Governmental Accounting Standards Board (GASB) were effective for the City in the fiscal year ending September 30, 2009.

GASB Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions: requires an actuarial valuation of a government's postemployment benefits so that the expense of these benefits is recorded over an employee's working career rather than when the benefits are paid long after an employee retires. For most entities, including the City, the actuarial required contribution in compliance with GASB Statement 45 represents a substantial increase over the pay-as-you-go amount previously recorded in the financial statements. See Note K for information on the City's implementation of this standard.

GASB Statement 50 "Pension Disclosures" is a disclosure standard and its requirements are reflected in Note J.

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as needed. All budget appropriations lapse at year end.

The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter total appropriations must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations. For report purposes, this level has been extended to a functional basis (i.e. General Government, Public Safety, etc.).

The following funds have legally adopted budgets: General Fund, Citizens Collection Fund, Hotel/Motel Occupancy Tax Fund, Municipal Court Technology Fund, Building Security Fund and Enhanced 911 Fund.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.

Formal budgets are not adopted in the Capital Projects Funds. Effective budgetary control in these funds is achieved through individual project budgeting in conformance with the provisions of bond orders, grant awards

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and other sources.

5. **Encumbrance Accounting**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

B. Compliance and Accountability

1. **Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. **Deficit Fund Balance or Fund Net Assets of Individual Funds**

None

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At September 30, 2009, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$721,512 and the bank balance was \$765,002. The City's cash deposits at September 30, 2009 and during the year ended September 30, 2009, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

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<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	1 Day	\$ 5,407,446
Total Investments		<u>\$ 5,407,446</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City's investment policy seeks to minimize credit risk by limiting the types and term of investments. The policy allows for investments in Public Fund Investment Pools described below which must have an AAA or AAAM rating.

At September 30, 2009, the City's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>Rating</u>	<u>Rating Agency</u>
TexPool	AAAM	Standard and Poor's

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting its investments to TexPool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair

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value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

Capital asset activity for the year ended September 30, 2009, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 7,507,865	\$ --	\$ --	\$ 7,507,865
Construction in progress	3,662,411	--	3,662,411	--
Total capital assets not being depreciated	11,170,276	--	3,662,411	7,507,865
Capital assets being depreciated:				
Buildings	3,338,821	5,590,220	--	8,929,041
Improvements other than buildings	2,310,683	576,532	--	2,887,215
Machinery and Equipment	2,889,850	909,474	--	3,799,324
Infrastructure	3,218,979	49,522	--	3,268,501
Total capital assets being depreciated	11,758,333	7,125,748	--	18,884,081
Less accumulated depreciation for:				
Buildings	(909,354)	(161,160)	--	(1,070,514)
Improvements other than buildings	(628,843)	(101,387)	--	(730,230)
Machinery and Equipment	(1,728,919)	(282,474)	--	(2,011,393)
Infrastructure	(460,427)	(108,125)	--	(568,552)
Total accumulated depreciation	(3,727,543)	(653,146)	--	(4,380,689)
Total capital assets being depreciated, net	8,030,790	6,472,602	--	14,503,392
Governmental activities capital assets, net	\$ 19,201,066	\$ 6,472,602	\$ 3,662,411	\$ 22,011,257

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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 308,583	\$ --	\$ --	\$ 308,583
Construction in progress	346,047	--	346,047	--
Total capital assets not being depreciated	<u>654,630</u>	<u>--</u>	<u>346,047</u>	<u>308,583</u>
Capital assets being depreciated:				
Improvements other than buildings	2,669,758	--	--	2,669,758
Water and sewer system	10,803,728	393,965	--	11,197,693
Machinery and equipment	1,078,797	73,885	--	1,152,682
Total capital assets being depreciated	<u>14,552,283</u>	<u>467,850</u>	<u>--</u>	<u>15,020,133</u>
Less accumulated depreciation for:				
Improvements other than buildings	(2,119,987)	(66,744)	--	(2,186,731)
Water and sewer system	(5,364,185)	(212,741)	--	(5,576,926)
Machinery and equipment	(745,898)	(53,409)	--	(799,307)
Total accumulated depreciation	<u>(8,230,070)</u>	<u>(332,894)</u>	<u>--</u>	<u>(8,562,964)</u>
Total capital assets being depreciated, net	<u>6,322,213</u>	<u>134,956</u>	<u>--</u>	<u>6,457,169</u>
Business-type activities capital assets, net	<u>\$ 6,976,843</u>	<u>\$ 134,956</u>	<u>\$ 346,047</u>	<u>\$ 6,765,752</u>

Depreciation was charged to functions as follows:

Governmental Activities:	
General Government	\$ 11,500
Public Safety	139,708
Culture and Recreation	256,522
Public Works	239,335
Public Health and Welfare	6,081
	<u>\$ 653,146</u>
Business Activities:	
Water and Sewer	\$ 262,939
Harbor	69,955
	<u>\$ 332,894</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2009, consisted of the following:

	Receivable	Payable	Net
Governmental Fund Types:			
Governmental Funds:			
General Fund	\$ 497,952	\$ 1,680	
Aransas Pass Municipal Development District	--	110,392	
Debt Service Fund	1,290	--	
Other nonmajor governmental funds	390	--	
	<u>\$ 499,632</u>	<u>\$ 112,072</u>	<u>\$ 387,560</u>
Proprietary Fund Types:			
Enterprise Funds:			
Water and Sewer Fund	\$ --	\$ 387,451	
Harbor Fund	--	109	
Aquatic Center Fund	--	--	
	<u>\$ --</u>	<u>\$ 387,560</u>	<u>\$ (387,560)</u>

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All amounts due are for short-term loans and are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2009, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Water and Sewer Fund	General Fund	\$ 500,000	Administrative Charges
Water and Sewer Fund	Home Improvement Program	34,375	Supplement other funds sources
E911 Fund	General Fund	100,000	Supplement other funds sources
Senior Citizens Fund	General Fund	10,000	Supplement other funds sources
Aransas Pass Municipal Dev. District	General Fund	110,392	Reimburse General Fund for Aquatic Center Losses
Aransas Pass Municipal Dev. District	Civic Center Fund	412,658	Supplement other funds sources
Aransas Pass Municipal Dev. District	Aquatic Center Fund	42,194	Supplement other funds sources
2007 Certificate Fund	Harbor Fund	104,000	Reimburse Outlays
General Fund	Harbor Fund	38,615	Supplement other funds sources
General Fund	2007 Tax Notes	129,532	Supplement other funds sources
General Fund	Aquatic Center Fund	69,454	Supplement other funds sources
	Total	\$ 1,551,220	

F. Long-Term Obligations

1. Long-Term Obligation Activity

The City issues general obligation and revenue bonds, certificates of obligation, and tax notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both governmental and proprietary activities. Revenue bonds have been issued for only proprietary activities. Bonds and certificates of obligation are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

Outstanding bonds, certificates of obligation and tax notes consisted of the following at September 30, 2009:

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	<u>Interest Rate</u>	<u>General Long-Term Debt</u>	<u>Enterprise Fund Debt</u>
Bonded Debt			
Tax and Limited Pledge Revenue, Certificates of Obligation, Series 1999	4.20 - 5.70%	\$ 135,000	\$ --
Tax and Limited Pledge Revenue, Certificates of Obligation, Series 2002	4.30 - 6.00%	360,000	--
Tax and Limited Pledge Revenue, Certificates of Obligation, Series 2003	2.50 - 4.35%	1,695,000	--
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2005	1.70% - 3.75%	--	945,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2006	4.25%	--	935,000
General Obligation Refunding Bonds, Series 2007	4.025%	4,405,000	--
Taxable Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007	5.75 - 6.375%	6,100,000	--
Tax Notes, Series 2007	4.30%	360,000	--
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2007	3.92%	3,700,000	--
General Obligation Refunding Bonds, Series 2008	2.95%	1,655,000	--
Totals		18,410,000	1,880,000
Deferred Loss on Advance Refunding		(226,554)	--
		<u>\$ 18,183,446</u>	<u>\$ 1,880,000</u>

2. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2009, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General bonded debt	\$ 19,387,000	\$ --	\$ 977,000	\$ 18,410,000	1,130,000
Deferred loss on adv. ref.	(242,166)	--	(15,612)	(226,554)	--
OBEP obligation	--	11,000	--	11,000	--
Compensated absences *	99,784	47,183	--	146,967	6,000
Contracts*	78,924	--	6,071	72,853	6,071
Total governmental activities	<u>\$ 19,323,542</u>	<u>\$ 58,183</u>	<u>\$ 967,459</u>	<u>\$ 18,414,266</u>	<u>\$ 1,142,071</u>
Business-type activities:					
General bonded debt	\$ 1,990,000	\$ --	\$ 110,000	\$ 1,880,000	115,000
Compensated absences *	19,179	--	7,876	11,303	2,000
Total business-type activities	<u>\$ 2,009,179</u>	<u>\$ --</u>	<u>\$ 117,876</u>	<u>\$ 1,891,303</u>	<u>\$ 117,000</u>

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* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund
Contracts	Governmental	General Fund
Compensated absences	Business-type	Water and Sewer Fund

3. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2009, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 1,130,000	\$ 847,999	\$ 1,977,999
2011	1,260,000	795,068	2,055,068
2012	1,285,000	742,410	2,027,410
2013	1,315,000	689,242	2,004,242
2014	1,380,000	632,198	2,012,198
2015-2019	4,595,000	2,482,653	7,077,653
2020-2024	4,290,000	1,408,854	5,698,854
2025-2027	3,155,000	265,983	3,420,983
Totals	\$ 18,410,000	\$ 7,864,407	\$ 26,274,407

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2010	\$ 115,000	\$ 70,217	\$ 185,217
2011	120,000	66,041	186,041
2012	125,000	61,727	186,727
2013	130,000	57,127	187,127
2014	130,000	52,252	182,252
2015-2019	745,000	180,990	925,990
2020-2024	440,000	50,126	490,126
2025	75,000	1,406	76,406
Totals	\$ 1,880,000	\$ 539,886	\$ 2,419,886

4. Advance Refunding of Debt

At September 30, 2009, the City had \$3,795,000 of legally defeased bonds outstanding.

5. Contracts payable are due as follows:

Year Ending September 30,	Government-type Activities
2010	\$ 6,071
2011	6,071
2012	6,071
2013	6,071
2015-2019	30,355
2020-2021	12,143
Totals	\$ 72,853

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FOR THE YEAR ENDED SEPTEMBER 30, 2009

6. Continuing Disclosure

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

G. Commitments Under Noncapitalized Leases

The City had no material commitments under noncapitalized leases for the year ended September 30, 2009.

H. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2009:

	Governmental Activities	Business-type Activities
Bond Construction Funds	\$ --	\$ 560,754
Special Projects	1,496,179	--
Debt Service	--	104,104
Customer Deposits	--	167,903
	<u>\$ 1,496,179</u>	<u>\$ 832,761</u>

Sales Taxes Receivable were restricted for the following purposes at September 30, 2009:

	Governmental Activities
Special Projects	<u>\$ 48,810</u>

I. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2009, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

J. Pension Plan

1. Plan Description

The City's provided pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, PO. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition,

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2008	Plan Year 2009
Employee deposit rate	6.00%	6.00%
Matching ratio(city to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility express as age/years of service	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating Transfers	100% Repeating Transfers
Annuity Increase (to employees)	70% of CPI Repeating	70% of CPI Repeating

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal costs and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation(asset) are as follows:

Net Pension Obligation (NPO) at Beginning of Year	\$	--
Annual Pension Cost:		
Annual required contribution (ARC)	\$	307,664
Contributions Made	\$	307,664
NPO at End of Year	\$	--

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Acutuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Remaining Amortization Period	25 years: open period	30 years: closed period	29 years: closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Investment Rate of Return	7.0%	7.0%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation Rate	3.0%	3.0%	3.0%
Cost of Living Adjustments	NA	2.1%	2.1%

The funding status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	12/31/08
Actuarial Value of Assets	\$ 3,829,826
Actuarial Accrued Liability	\$ 6,969,424
Percentage Funded	55.0%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 3,139,598
Annual Covered Payroll	\$ 2,969,879
UAAL as a Percentage of Covered Payroll	105.7%

3. Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/07	\$ 281,733	100.00%	\$ --
09/30/08	298,738	100.00%	--
09/30/09	307,664	100.00%	--

4. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/06	\$ 3,582,499	\$ 5,319,021	\$ 1,736,522	67.35%	\$ 2,484,882	69.9%
12/31/07	3,619,055	6,996,023	3,376,968	51.70%	2,906,908	116.2%
12/31/08	3,829,826	6,969,424	3,139,598	55.00%	2,969,879	105.7%

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

K. Post Employment Benefits Other Than Pension Benefits

Plan Participants

Full time employees of the City are eligible to receive retiree health care benefits. The City will contribute 50% of the City sponsored health care benefits until Medicare is available to the retiree.

Normal Health Care Retirement Conditions

At least 60 years of age and have 20 years of consecutive service and currently enrolled in the health care policy.

Vested Termination Benefits

Members terminating before normal retirement conditions are not eligible for retiree health care.

Death-In-Service Retirement Benefits

City does not provided death-in-service benefits.

Disability Retirement Benefits

City does not provide retiree disability benefits to a surviving spouse.

Dental/Vision Care

City does not provide vision care.

Life Insurance Coverage

City does not provide life insurance for retirees.

Benefits for Spouse of Retired Employees

City does not provide retiree health insurance to the surviving spouse.

Spouse and Dependent Coverage

City does not provide spouse and dependent coverage.

Non-Medicare and Medicare - Eligible Provisions

Retirees are required to enroll in Medicare once eligible. Retiree pays Medicare premiums.

Retiree Opt-Out

Retirees who elect to opt out of the health care plan will not receive any cash payment in lieu of electing the City sponsored health care plan.

Premium Sharing

City contributes 50% of the City sponsored health care monthly premium for the retiree only until Medicare is available to the retiree.

Funding Policy and Annual OPEB Cost

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2008 as required by GASB. The annual OPEB cost for the fiscal year ending September 30, 2009, is as follows:

Annual required contribution	\$56,225
Interest on OPEB obligation	--
Adjustment to ARC	--
Annual OPEB cost (expense end of year)	\$56,225
Net estimated employer contributions	(\$45,255)
Increase in net OPEB	\$10,970
Net OPEB obligation - as of beginning of the year	--
Net OPEB obligation (asset)- as of end of year	\$11,000

Funding status and funding progress

The funded status of the City's retiree health care plan, under GASB statement No. 45 as of December 31, 2008 is as follows:

Actuarial Valuation Date as of December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
2,008	-	\$339,018	\$339,018	0%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$339,018 at December 31, 2008.

Actuarial methods and assumptions

The Projected Unit credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payment are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Investment rate of return	4.5% net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of payroll
Growth Rate	3.0% per annum

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

L. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

The City had no reportable litigation at September 30, 2009.

M. Subsequent Events

In October 2009, the City issued City of Aransas Pass Tax Notes, Series 2009 in the amount of \$465,000. Proceeds from the notes will be used primarily for public works projects. Interest is from 1.50% - 3.00%. The note mature in 2013.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF ARANSAS PASS, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT B-1

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
Taxes:				
General Property Taxes	\$ 1,645,785	\$ 1,645,785	\$ 1,536,822	\$ (108,963)
Sales Taxes	1,600,000	1,600,000	1,597,381	(2,619)
Franchise Taxes	472,425	472,425	393,495	(78,930)
Mixed Beverage Taxes	7,465	7,465	8,327	862
License and Permits	62,500	62,500	63,368	868
Intergovernmental	10,000	10,000	17,991	7,991
Charges for Services	1,135,516	1,135,516	1,337,929	202,413
Fines and Forfeitures	480,505	480,505	323,685	(156,820)
Interest	75,000	75,000	16,105	(58,895)
Rents and Royalties	240,000	240,000	185,795	(54,205)
PILOT - Industrial Development District	60,000	60,000	136,206	76,206
Other	116,877	115,111	42,527	(72,584)
Total revenues	<u>5,906,073</u>	<u>5,904,307</u>	<u>5,659,631</u>	<u>(244,676)</u>
Expenditures:				
Current:				
General Government	1,145,527	1,145,527	1,173,838	(28,311)
Public Safety	2,679,775	2,679,775	2,447,686	232,089
Public Works	746,538	746,538	728,658	17,880
Sanitation	1,018,105	1,018,105	1,162,022	(143,917)
Health and Welfare	201,271	201,271	170,681	30,590
Culture and Recreation	419,270	419,270	396,459	22,811
Debt Service:				
Principal	--	--	6,071	(6,071)
Capital Outlay	100,000	100,000	103,217	(3,217)
Total Expenditures	<u>6,310,486</u>	<u>6,310,486</u>	<u>6,188,632</u>	<u>121,854</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(404,413)</u>	<u>(406,179)</u>	<u>(529,001)</u>	<u>(122,822)</u>
Other Financing Sources (Uses):				
Operating Transfers In	730,000	730,000	720,392	(9,608)
Operating Transfers Out	(270,000)	(270,000)	(237,601)	32,399
Total Other Financing Sources (Uses)	<u>460,000</u>	<u>460,000</u>	<u>482,791</u>	<u>(22,791)</u>
Net Change in Fund Balances	55,587	53,821	(46,210)	(100,031)
Fund Balances - Beginning	1,635,631	1,635,631	1,635,631	--
Fund Balances - Ending	<u>\$ 1,691,218</u>	<u>\$ 1,689,452</u>	<u>\$ 1,589,421</u>	<u>\$ (100,031)</u>

CITY OF ARANSAS PASS, TEXAS

ARANSAS PASS MUNICIPAL DEVELOPMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes:				
Sales Taxes	\$ 681,975	\$ 728,675	\$ 728,675	\$ --
Interest	148,473	96,485	32,390	(64,095)
Other	1,500	370	370	--
Total revenues	<u>831,948</u>	<u>825,530</u>	<u>761,435</u>	<u>(64,095)</u>
Expenditures:				
Current:				
General Government	17,430	3,000	5,055	(2,055)
Culture and Recreation	--	9,775	18,722	(8,947)
Debt Service:				
Principal	260,000	260,000	260,000	--
Interest and Fiscal Charges	298,554	298,554	298,554	--
Fiscal Agent's Fees	1,352	1,352	500	852
Capital Outlay	2,273,610	3,009,757	2,759,440	250,317
Total Expenditures	<u>2,850,946</u>	<u>3,582,438</u>	<u>3,342,271</u>	<u>240,167</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,018,998)</u>	<u>(2,756,908)</u>	<u>(2,580,836)</u>	<u>176,072</u>
Other Financing Sources (Uses):				
Operating Transfers Out	(368,941)	(533,763)	(565,244)	(31,481)
Total Other Financing Sources (Uses)	<u>(368,941)</u>	<u>(533,763)</u>	<u>(565,244)</u>	<u>31,481</u>
Net Change in Fund Balances	<u>(2,387,939)</u>	<u>(3,290,671)</u>	<u>(3,146,080)</u>	<u>144,591</u>
Fund Balances - Beginning	4,554,914	4,554,914	4,554,914	--
Fund Balances - Ending	<u>\$ 2,166,975</u>	<u>\$ 1,264,243</u>	<u>\$ 1,408,834</u>	<u>\$ 144,591</u>

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Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF ARANSAS PASS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2009

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Cash and Cash Equivalents	\$ 521,627	\$ --	\$ 521,627
Receivables (net of allowances for uncollectibles):			
Occupancy Taxes	55,516	--	55,516
Due from Other Funds	70	320	390
Inventories	4,012	--	4,012
Restricted Assets:			
Cash and Cash Equivalents	--	1,005	1,005
Total Assets	<u>\$ 593,768</u>	<u>\$ 1,325</u>	<u>\$ 595,093</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$ 14,714	\$ --	\$ 14,714
Total Liabilities	<u>34,521</u>	<u>--</u>	<u>34,521</u>
Fund Balances:			
Reserved Fund Balances:			
Reserved for Inventories	4,012	--	4,012
Reserved for Prepaid Expenses	12,543	--	12,543
Reserved for Tourism	216,406	--	216,406
Reserved for Law Enforcement	58,392	--	58,392
Reserved for Special Projects	76,504	--	76,504
Reserved for Public Library	68,045	--	68,045
Reserved for Capital Outlay	--	1,325	1,325
Reserved for Emergency Services	65,757	--	65,757
Reserved for Court Technology	6,284	--	6,284
Reserved for Building Security	51,304	--	51,304
Total Fund Balance	<u>559,247</u>	<u>1,325</u>	<u>560,572</u>
Total Liabilities and Fund Balance	<u>\$ 593,768</u>	<u>\$ 1,325</u>	<u>\$ 595,093</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes:			
Occupancy Taxes	\$ 173,469	\$ --	\$ 173,469
Intergovernmental	272,690	--	272,690
Charges for Services	219,086	--	219,086
Fines and Forfeitures	16,369	--	16,369
Interest	3,388	1,664	5,052
Other	9,469	--	9,469
Total revenues	<u>694,471</u>	<u>1,664</u>	<u>696,135</u>
Expenditures:			
Current:			
Public Safety	190,086	--	190,086
Health and Welfare	194,935	--	194,935
Culture and Recreation	516,069	--	516,069
Tourism	174,744	--	174,744
Capital Outlay	--	600,680	600,680
Total Expenditures	<u>1,075,834</u>	<u>600,680</u>	<u>1,676,514</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(381,363)</u>	<u>(599,016)</u>	<u>(980,379)</u>
Other Financing Sources (Uses):			
Operating Transfers In	--	129,532	129,532
Operating Transfers Out	(110,000)	--	(110,000)
Total Other Financing Sources (Uses)	<u>302,658</u>	<u>25,532</u>	<u>328,190</u>
Net Change in Fund Balances	<u>(78,705)</u>	<u>(573,484)</u>	<u>(652,189)</u>
Fund Balances - Beginning	637,952	574,809	1,212,761
Fund Balances - Ending	<u>\$ 559,247</u>	<u>\$ 1,325</u>	<u>\$ 560,572</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2009

	Emergency 911 Fund	Forfeiture	Hotel/Motel Occupancy Tax Fund	Library Fund
ASSETS				
Cash and Cash Equivalents	\$ 67,207	\$ 58,392	\$ 160,890	\$ 68,045
Receivables (net of allowances for uncollectibles):				
Occupancy Taxes	--	--	55,516	--
Due from Other Funds	--	--	--	--
Inventories	--	--	--	--
Restricted Assets:				
Total Assets	<u>\$ 67,207</u>	<u>\$ 58,392</u>	<u>\$ 216,406</u>	<u>\$ 68,045</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 1,450	\$ --	\$ --	\$ --
Total Liabilities	<u>1,450</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Reserved Fund Balances:				
Reserved for Inventories	--	--	--	--
Reserved for Prepaid Expenses	--	--	--	--
Reserved for Tourism	--	--	216,406	--
Reserved for Law Enforcement	--	58,392	--	--
Reserved for Special Projects	--	--	--	--
Reserved for Public Library	--	--	--	68,045
Reserved for Emergency Services	65,757	--	--	--
Reserved for Court Technology	--	--	--	--
Reserved for Building Security	--	--	--	--
Total Fund Balance	<u>65,757</u>	<u>58,392</u>	<u>216,406</u>	<u>68,045</u>
Total Liabilities and Fund Balance	<u>\$ 67,207</u>	<u>\$ 58,392</u>	<u>\$ 216,406</u>	<u>\$ 68,045</u>

Holiday Lights	Seamen's Memorial Tower	Municipal Court Fee Fund	Building Security	Citizens Collection Fund
\$ 4,748	\$ 2,331	\$ 6,250	\$ 51,268	\$ 11,988
--	--	--	--	--
--	--	34	36	--
--	--	--	--	--
<u>\$ 4,748</u>	<u>\$ 2,331</u>	<u>\$ 6,284</u>	<u>\$ 51,304</u>	<u>\$ 11,988</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
4,748	2,331	--	--	11,988
--	--	--	--	--
--	--	6,284	--	--
--	--	--	51,304	--
<u>4,748</u>	<u>2,331</u>	<u>6,284</u>	<u>51,304</u>	<u>11,988</u>
<u>\$ 4,748</u>	<u>\$ 2,331</u>	<u>\$ 6,284</u>	<u>\$ 51,304</u>	<u>\$ 11,988</u>

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CITY OF ARANSAS PASS, TEXAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2009

EXHIBIT C-3

Page 2 of 2

	Senior Citizens	Home Investment Program	Civic Center	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS				
Cash and Cash Equivalents	\$ --	\$ 22,657	\$ 67,851	\$ 521,627
Receivables (net of allowances for uncollectibles):				
Occupancy Taxes	--	--	--	55,516
Due from Other Funds	--	--	--	70
Inventories	--	--	4,012	4,012
Restricted Assets:				
Total Assets	<u>\$ --</u>	<u>\$ 22,657</u>	<u>\$ 84,406</u>	<u>\$ 593,768</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ --	\$ --	\$ 13,264	\$ 14,714
Total Liabilities	<u>--</u>	<u>--</u>	<u>33,071</u>	<u>34,521</u>
Fund Balances:				
Reserved Fund Balances:				
Reserved for Inventories	--	--	4,012	4,012
Reserved for Prepaid Expenses	--	--	12,543	12,543
Reserved for Tourism	--	--	--	216,406
Reserved for Law Enforcement	--	--	--	58,392
Reserved for Special Projects	--	22,657	34,780	76,504
Reserved for Public Library	--	--	--	68,045
Reserved for Emergency Services	--	--	--	65,757
Reserved for Court Technology	--	--	--	6,284
Reserved for Building Security	--	--	--	51,304
Total Fund Balance	<u>--</u>	<u>22,657</u>	<u>51,335</u>	<u>559,247</u>
Total Liabilities and Fund Balance	<u>\$ --</u>	<u>\$ 22,657</u>	<u>\$ 84,406</u>	<u>\$ 593,768</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Emergency 911 Fund	Forfeiture	Hotel/Motel Occupancy Tax Fund	Library Fund
Revenue:				
Taxes:				
Occupancy Taxes	\$ --	\$ --	\$ 173,469	\$ --
Intergovernmental	--	81,304	--	4,186
Charges for Services	71,751	--	--	--
Fines and Forfeitures	--	--	--	--
Interest	1,689	--	782	558
Other	--	--	--	9,469
Total revenues	<u>73,440</u>	<u>81,304</u>	<u>174,251</u>	<u>14,213</u>
Expenditures:				
Current:				
Public Safety	126,708	41,036	--	--
Health and Welfare	--	--	--	--
Culture and Recreation	--	--	--	14,907
Tourism	--	--	174,744	--
Total Expenditures	<u>126,708</u>	<u>41,036</u>	<u>174,744</u>	<u>14,907</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(53,268)</u>	<u>40,268</u>	<u>(493)</u>	<u>(694)</u>
Other Financing Sources (Uses):				
Operating Transfers Out	(100,000)	--	--	--
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	<u>(153,268)</u>	<u>40,268</u>	<u>(493)</u>	<u>(694)</u>
Fund Balances - Beginning	219,025	18,124	216,899	68,739
Fund Balances - Ending	<u>\$ 65,757</u>	<u>\$ 58,392</u>	<u>\$ 216,406</u>	<u>\$ 68,045</u>

Holiday Lights	Seamen's Memorial Tower	Municipal Court Fee Fund	Building Security	Citizens Collection Fund
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	7,596
--	--	9,461	6,908	--
29	41	--	1	33
--	--	--	--	--
<u>29</u>	<u>41</u>	<u>9,461</u>	<u>6,909</u>	<u>7,629</u>
--	--	20,797	1,545	--
--	--	--	--	--
--	100	--	--	--
--	--	--	--	--
<u>--</u>	<u>100</u>	<u>20,797</u>	<u>1,545</u>	<u>--</u>
29	(59)	(11,336)	5,364	7,629
--	--	--	--	--
--	--	--	--	--
29	(59)	(11,336)	5,364	7,629
4,719	2,390	17,620	45,940	4,359
<u>\$ 4,748</u>	<u>\$ 2,331</u>	<u>\$ 6,284</u>	<u>\$ 51,304</u>	<u>\$ 11,988</u>

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CITY OF ARANSAS PASS, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-4

Page 2 of 2

	Senior Citizens	Home Investment Program	Civic Center	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenue:				
Taxes:				
Occupancy Taxes	\$ --	\$ --	\$ --	\$ 173,469
Intergovernmental	--	187,200	--	272,690
Charges for Services	--	--	139,739	219,086
Fines and Forfeitures	--	--	--	16,369
Interest	--	255	--	3,388
Other	--	--	--	9,469
Total revenues	--	187,455	139,739	694,471
Expenditures:				
Current:				
Public Safety	--	--	--	190,086
Health and Welfare	--	194,935	--	194,935
Culture and Recreation	--	--	501,062	516,069
Tourism	--	--	--	174,744
Total Expenditures	--	194,935	501,062	1,075,834
Excess (Deficiency) of Revenues Over (Under) Expenditures	--	(7,480)	(361,323)	(381,363)
Other Financing Sources (Uses):				
Operating Transfers Out	(10,000)	--	--	(110,000)
Total Other Financing Sources (Uses)	(10,000)	--	412,658	302,658
Net Change in Fund Balances	(10,000)	(7,480)	51,335	(78,705)
Fund Balances - Beginning	10,000	30,137	--	637,952
Fund Balances - Ending	\$ --	\$ 22,657	\$ 51,335	\$ 559,247

CITY OF ARANSAS PASS, TEXAS
BUILDING SECURITY FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-6

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Fines and Forfeitures	\$ --	\$ 6,908	\$ 6,908
Interest	--	1	1
Total revenues	--	6,909	6,909
Expenditures:			
Current:			
Public Safety	--	1,545	(1,545)
Total Expenditures	--	1,545	(1,545)
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	--	5,364	5,364
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balances	--	5,364	5,364
Fund Balances - Beginning	--	45,940	45,940
Fund Balances - Ending	\$ --	\$ 51,304	\$ 51,304

CITY OF ARANSAS PASS, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-7

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes:			
General Property Taxes	\$ 1,325,506	\$ 1,335,725	\$ 10,219
Interest	10,000	4,814	(5,186)
Total revenues	<u>1,335,506</u>	<u>1,340,539</u>	<u>5,033</u>
Expenditures:			
Debt Service:			
Principal	717,000	717,000	--
Interest and Fiscal Charges	590,794	590,640	154
Fiscal Agent's Fees	2,000	470	1,530
Total Expenditures	<u>1,309,794</u>	<u>1,308,110</u>	<u>1,684</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>25,712</u>	<u>32,429</u>	<u>6,717</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	25,712	32,429	6,717
Fund Balances - Beginning	453,818	453,818	--
Fund Balances - Ending	<u>\$ 479,530</u>	<u>\$ 486,247</u>	<u>\$ 6,717</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2009

	2003 Certificate of Obligation Fund	2007 Certificate of Obligation	2007 Tax Anticipation Notes	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS				
Due from Other Funds	\$ 320	\$ --	\$ --	\$ 320
Restricted Assets:				
Cash and Cash Equivalents	--	182	823	1,005
Total Assets	<u>\$ 320</u>	<u>\$ 182</u>	<u>\$ 823</u>	<u>\$ 1,325</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Fund Balances:				
Reserved Fund Balances:				
Reserved for Capital Outlay	\$ 320	\$ 182	\$ 823	\$ 1,325
Total Fund Balance	<u>320</u>	<u>182</u>	<u>823</u>	<u>1,325</u>
Total Liabilities and Fund Balance	<u>\$ 320</u>	<u>\$ 182</u>	<u>\$ 823</u>	<u>\$ 1,325</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	2003 Certificate of Obligation Fund	2007 Certificate of Obligation	2007 Tax Anticipation Notes	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenue:				
Interest	\$ --	\$ 531	\$ 1,133	\$ 1,664
Total revenues	<u>--</u>	<u>531</u>	<u>1,133</u>	<u>1,664</u>
Expenditures:				
Capital Outlay	--	--	600,680	600,680
Total Expenditures	<u>--</u>	<u>--</u>	<u>600,680</u>	<u>600,680</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>--</u>	<u>531</u>	<u>(599,547)</u>	<u>(599,016)</u>
Other Financing Sources (Uses):				
Operating Transfers In	--	--	129,532	129,532
Total Other Financing Sources (Uses)	<u>--</u>	<u>(104,000)</u>	<u>129,532</u>	<u>25,532</u>
Net Change in Fund Balances	<u>--</u>	<u>(103,469)</u>	<u>(470,015)</u>	<u>(573,484)</u>
Fund Balances - Beginning	320	103,651	470,838	574,809
Fund Balances - Ending	<u>\$ 320</u>	<u>\$ 182</u>	<u>\$ 823</u>	<u>\$ 1,325</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

SEPTEMBER 30, 2009

	Enterprise Fund Harbor Fund	Enterprise Fund Aquatic Center Fund	Total Nonmajor Enterprise Funds (See Exhibit A-7)
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 25,665	\$ 2,558	\$ 28,223
Receivables (net of allowances for uncollectibles):			
Accounts	8,171	--	8,171
Total Current Assets	<u>33,836</u>	<u>2,558</u>	<u>36,394</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents			
Capital Assets:			
Improvements Other Than Buildings	2,669,758	--	2,669,758
Machinery and Equipment	39,427	--	39,427
Less Accumulated Depreciation	(2,221,342)	--	(2,221,342)
Total Noncurrent Assets	<u>487,843</u>	<u>--</u>	<u>487,843</u>
Total Assets	<u>\$ 521,679</u>	<u>\$ 2,558</u>	<u>\$ 524,237</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 1,315	\$ 6,469	\$ 7,784
Due to other funds	109	--	109
Total Current Liabilities	<u>1,424</u>	<u>6,469</u>	<u>7,893</u>
Current Liabilities Payable from Restricted Assets-			
Total Current Liabilities Payable			
Total Liabilities	<u>1,424</u>	<u>6,469</u>	<u>7,893</u>
NET ASSETS:			
Investment in Capital Assets, Net of Related Debt	487,843	--	487,843
Unrestricted Net Assets	520,255	(3,911)	516,344
Total Net Assets	<u>\$ 520,255</u>	<u>\$ (3,911)</u>	<u>\$ 516,344</u>

CITY OF ARANSAS PASS, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Fund Harbor Fund	Enterprise Fund Aquatic Center Fund	Total Nonmajor Enterprise Funds (See Exhibit A-8)
OPERATING REVENUES:			
Charges for services	\$ 160,237	\$ 323,373	\$ 483,610
Total Operating Revenues	<u>160,237</u>	<u>323,373</u>	<u>483,610</u>
OPERATING EXPENSES:			
Personal services	149	205,499	205,648
Contractual services	4,206	127,247	131,453
Supplies	1,605	108,354	109,959
Maintenance	304,963	35,624	340,587
Other	8,788	--	8,788
Depreciation and Amortization	69,955	--	69,955
Total Operating Expenses	<u>389,666</u>	<u>476,724</u>	<u>866,390</u>
Operating Income	<u>(229,429)</u>	<u>(153,351)</u>	<u>(382,780)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest income	798	45	843
Total Non-operating Revenues (Expenses)	<u>798</u>	<u>45</u>	<u>843</u>
Income before Transfers	<u>(228,631)</u>	<u>(153,306)</u>	<u>(381,937)</u>
Operating transfers In	142,615	111,648	254,263
Operating transfers out	--	--	--
Change in Net Assets	<u>(86,016)</u>	<u>(41,658)</u>	<u>(127,674)</u>
Total Net Assets - Beginning	606,271	37,747	644,018
Total Net Assets - Ending	<u>\$ 520,255</u>	<u>\$ (3,911)</u>	<u>\$ 516,344</u>

CITY OF ARANSAS PASS, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-12

	Harbor Fund	Aquatic Center Fund	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 172,690	\$ 323,373	\$ 496,063
Cash Received from Grants	--	--	--
Cash Receipts (Payments) for Operating Transactions with Other Funds	(38,270)	(19,639)	(57,909)
Cash Payments to Employees	(149)	(208,955)	(209,104)
Cash Payments to Suppliers for Goods and Services	(318,407)	(266,800)	(585,207)
Net Cash Provided (Used) by Operating Activities	<u>(184,136)</u>	<u>(172,021)</u>	<u>(356,157)</u>
Cash Flows from Non-capital Financing Activities:			
Transfers From Other Funds	142,615	111,648	254,263
Transfers To Other Funds	--	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>142,615</u>	<u>111,648</u>	<u>254,263</u>
Cash Flows from Investing Activities:			
Interest and Dividends on Investments	798	45	843
Net Cash Provided (Used) for Investing Activities	<u>798</u>	<u>45</u>	<u>843</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(40,723)	(60,328)	(101,051)
Cash and Cash Equivalents at Beginning of Year	66,388	62,886	129,274
Cash and Cash Equivalents at End of Year	<u>\$ 25,665</u>	<u>\$ 2,558</u>	<u>\$ 28,223</u>

**Reconciliation of Operating Income to Net Cash
Provided by Operating Activities:**

Operating Income (Loss)	\$ (229,429)	\$ (153,351)	\$ (382,780)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	69,955	--	69,955
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	12,453	--	12,453
Decrease (Increase) in Inventories	--	--	--
Decrease (Increase) in Prepaid Expenses	--	--	--
Increase (Decrease) in Accounts Payable	1,155	4,425	5,580
Increase (Decrease) in Payroll Deductions	--	--	--
Increase (Decrease) in Accrued Wages Payable	--	--	--
Increase (Decrease) in Interfund Payables	(38,270)	(19,639)	(57,909)
Increase (Decrease) in Due to Other Governments	--	--	--
Increase (Decrease) in Accrued Expenses	--	(3,456)	(3,456)
Increase (Decrease) in Unearned Revenue	--	--	--
Total Adjustments	<u>45,293</u>	<u>(18,670)</u>	<u>26,623</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (184,136)</u>	<u>\$ (172,021)</u>	<u>\$ (356,157)</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Michael A. Arnold, PLLC

501 E. MARKET

CERTIFIED PUBLIC ACCOUNTANT

PHONE (361) 729-3545

P.O. BOX 1266

FAX (361) 790-9692

ROCKPORT, TEXAS 78381-1266

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

City Council
City of Aransas Pass, Texas
P.O. Box 2000
Aransas Pass, Texas 78335

Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Aransas Pass, Texas as of and for the year ended September 30, 2009, which collectively comprise the City of Aransas Pass, Texas's basic financial statements and have issued our report thereon dated March 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Aransas Pass, Texas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Aransas Pass, Texas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Aransas Pass, Texas's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Aransas Pass, Texas's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Aransas Pass, Texas's financial statements that is more than inconsequential will not be prevented by the City of Aransas Pass, Texas's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Aransas Pass, Texas's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Aransas Pass, Texas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Michael A. Arnold, PLLC". The signature is written in a cursive, flowing style.

Michael A. Arnold, PLLC

March 29, 2010

CITY OF ARANSAS PASS, TEXAS
SCHEDULE OF GRANT REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT
For the Year Ended September 30, 2009

EXHIBIT D-1

FEDERAL FINANCIAL ASSISTANCE

GRANTOR: OFFICE OF RURAL COMMUNITY AFFAIRS

CONTRACT NUMBER 726021 - Water and Sewer Facilities

CONTRACT PERIOD: July 27, 2006 to July 26, 2008

		State		Match		
	Budget	Prior Years	Current Year	Prior Years	Current Year	Total
Revenues:						
Federal	\$ 266,500	\$ 263,420	\$ 3,080	\$ --	\$ --	\$ 266,500
Local	53,500	--	--	53,500	--	53,500
Total revenues	320,000	263,420	3,080	53,500	--	320,000
Expenditures:						
Federal:						
Water Facilities	35,450	35,450	--	--	--	35,450
Sewer Facilities	147,000	147,000	--	--	--	147,000
Rehab. Private Prop.:						
Water Facilities	5,390	5,390	--	--	--	5,390
Sewer Facilities	5,250	5,250	--	--	--	5,250
Acquisition	6,010	6,010	--	--	--	6,010
Engineering	37,000	37,000	--	--	--	37,000
Administration	30,400	27,320	3,080	--	--	30,400
Local:						--
Water Facilities	50,150	--	--	50,150	--	50,150
Rehab. Private Prop.:				--	--	--
Water Facilities	1,100	--	--	1,100	--	1,100
Sewer Facilities	2,250	--	--	2,250	--	2,250
Total expenditures	320,000	263,420	3,080	53,500	--	320,000
Excess of revenues over expenditures	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

CITY OF ARANSAS PASS, TEXAS
SCHEDULE OF GRANT REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT
For the Year Ended September 30, 2009

EXHIBIT D-2

FEDERAL FINANCIAL ASSISTANCE

GRANTOR: Texas Department of Housing and Community Affairs

CONTRACT NUMBER 1000741

CONTRACT PERIOD: November 1, 2006 to April 30, 2009

CDFA NO. 14.239: Home Investment Partnership Program

	State			Match		
	Budget	Prior Years	Current Year	Prior Years	Current Year	Total
Revenues:						
Federal	\$ 187,200	\$ --	\$ 187,200	\$ --	\$ --	\$ 187,200
Local	--	--		5,068	7,735	12,803
Total revenues	187,200	--	187,200	5,068	7,735	200,003
Expenditures:						
Federal:						
Project	180,000	--	180,000	--	--	180,000
Administration	7,200	--	7,200	--	--	7,200
Local:						
Project	--	--	--	5,068	7,735	12,803
Total expenditures	187,200	--	187,200	5,068	7,735	200,003
Excess of revenues over expenditures	\$ --	\$ --	\$ --	\$ --	\$ --	--

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Statistical Section

CITY OF ARANSAS PASS, TEXAS
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

	2004	2005	2006	2007	2008	2009
Governmental Activities						
Invested in Capital Assets,	\$ 993,949	\$ 2,536,578	\$ 2,997,920	\$ 3,924,568	\$ 2,215,641	\$ 3,754,958
Net of Related Debt						
Restricted	5,303,247	4,985,737	5,480,694	5,563,163	6,376,315	3,204,973
Unrestricted	(1,866,882)	(1,941,955)	(1,929,240)	(1,571,088)	279,870	1,818,939
Total Governmental	\$ 4,430,314	\$ 5,580,360	\$ 6,549,374	\$ 7,916,643	\$ 8,871,826	\$ 8,778,870
Activities Net Assets						
Business-type Activities						
Invested in Capital Assets,	\$ 4,575,866	\$ 4,635,033	\$ 5,041,730	\$ 4,972,189	\$ 4,986,843	\$ 4,892,071
Net of Related Debt						
Restricted	--	6,739	180,621	123,193	--	--
Unrestricted	814,971	1,021,344	1,306,810	1,675,571	2,191,177	2,183,082
Total Business-type	\$ 5,390,837	\$ 5,663,116	\$ 6,529,161	\$ 6,770,953	\$ 7,178,020	\$ 7,075,153
Activities Net Assets						
Primary Government						
Invested in Capital Assets,	\$ 5,569,815	\$ 7,171,611	\$ 8,039,650	\$ 8,896,757	\$ 7,202,484	\$ 8,647,029
Net of Related Debt						
Restricted	5,303,247	4,992,476	5,661,315	5,686,356	6,376,315	3,204,973
Unrestricted	(1,051,911)	(920,611)	(622,430)	104,483	2,471,047	4,002,021
Total Primary	\$ 9,821,151	\$ 11,243,476	\$ 13,078,535	\$ 14,687,596	\$ 16,049,846	\$ 15,854,023
Government Net Assets						

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF ARANSAS PASS, TEXAS

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST SIX FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

Expenses	2004	2005	2006	2007	2008	2009
Governmental Activities:						
General Government	901,150	\$ 1,106,080	\$ 1,121,849	\$ 1,160,353	\$ 1,025,014	\$ 1,213,190
Public Safety	2,163,889		2,491,331	2,630,523	2,687,733	2,791,635
Public Works	887,683	795,375	900,257	899,265	986,818	975,070
Sanitation	664,071	804,729	844,745	907,874	1,055,961	1,162,022
Health and Welfare	126,411	123,663	144,671	167,223	192,719	378,774
Culture and Recreation	415,217	523,299	505,435	626,994	613,739	1,194,849
Tourism	141,152	156,660	249,402	175,604	131,576	174,744
Interest and fiscal charges	503,428	555,515	517,434	474,074	968,126	916,780
Total Governmental Activities Expenses	5,803,001	6,410,357	6,775,124	7,041,910	7,661,686	8,807,064
Business-type Activities						
Water and Sewer	2,832,688	2,803,238	2,796,099	2,877,466	2,982,831	3,125,718
Harbor	496,618	159,099	191,522	567,715	283,947	389,666
Aquatic Center	393,666	388,200	414,241	323,340	363,538	476,724
Total Business-type Activities Expenses	3,722,972	3,350,537	3,401,862	3,768,521	3,630,316	3,992,108
Program Revenues						
Charges for Services:						
General Government	203,793	\$ 201,125	\$ 230,293	\$ 217,905	\$ 192,740	\$ 189,852
Public Safety	457,037	577,298	705,582	510,038	450,852	479,603
Public Works	389,722	64,898	16,428	13,824	51,738	23,118
Sanitation	865,419	923,993	976,282	1,044,125	1,212,542	1,333,719
Health and Welfare	1,896	1,556	1,578	1,579	1,901	3,945
Culture and Recreation	4,280	3,860	3,766	3,528	3,684	148,694
Tourism	9	14	41,474	232,804	110,730	307,746
Interest and fiscal charges	--	99,535	--	21,692	--	--
Capital Grants and Contributions	104,175	108,098	--	2,045,495	2,024,187	2,486,677
Total Governmental Activities Program Revenues	2,026,331	1,980,377	1,975,403	2,045,495	2,024,187	2,486,677
Business-type Activities:						
Charges for Services:						
Water and Sewer	2,714,649	3,256,196	3,904,625	3,750,505	3,637,311	3,632,810
Harbor	326,523	246,757	216,631	238,000	141,737	160,237
Aquatic Center	224,243	270,846	256,468	240,588	234,473	323,373
Operating Grants and Contributions	--	--	--	31,171	7,720	--
Capital Grants and Contributions	--	--	16,696	28,538	218,206	3,080
Total Business-type Activities Program Revenues	3,265,415	3,773,799	4,394,420	4,288,802	4,239,447	4,119,500
Total Primary Government Program Revenues	5,291,746	5,754,176	6,369,823	6,334,297	6,263,634	6,606,177
Net (Expense)/Revenue						
Governmental Activities	\$ (3,776,670)	\$ (4,429,980)	\$ (4,799,721)	\$ (4,996,415)	\$ (5,637,499)	\$ (6,320,367)
Business-type Activities	(457,557)	423,262	992,558	520,281	609,131	127,392
Total Primary Government Net Expense	\$ (4,234,227)	\$ (4,006,718)	\$ (3,807,163)	\$ (4,476,134)	\$ (5,028,368)	\$ (6,192,995)

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

TABLE E-2

TABLE E-3

CITY OF ARANSAS PASS, TEXAS
GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS
 LAST SIX FISCAL YEARS
 (ACCRUAL BASIS OF ACCOUNTING)
 UNAUDITED

Fiscal Year	2004	2005	2006	2007	2008	2009
Net (Expense)/Revenue						
Governmental Activities	\$ (3,776,670)	\$ (4,429,980)	\$ (4,799,721)	\$ (4,996,415)	\$ (5,637,499)	\$ (6,320,387)
Business-type Activities	\$ (457,557)	\$ 423,262	\$ 992,558	\$ 520,281	\$ 609,131	\$ 127,392
Total Primary Government Net Expense	\$ (4,234,227)	\$ (4,006,718)	\$ (3,807,163)	\$ (4,476,134)	\$ (5,028,368)	\$ (6,192,995)
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Taxes	\$ 2,214,244	\$ 2,465,422	\$ 2,444,665	\$ 2,553,979	\$ 2,969,270	\$ 2,891,106
Property Taxes						
Sales Taxes	1,749,375	1,751,103	1,971,266	2,090,487	2,213,912	2,326,056
Franchise Taxes	368,474	387,932	377,821	398,789	385,256	393,495
Occupancy Taxes	190,657	195,847	238,706	234,691	201,845	173,469
Other Taxes	7,591	6,522	7,144	6,459	8,367	8,327
Investment Earnings	94,329	139,736	266,845	464,101	420,386	60,477
Royalties	118,607	131,758	124,830	127,365	124,770	85,867
Gain on Sale of Capital Assets	--	145,500	--	--	--	--
Insurance Proceeds	202,064	22,955	10,053	9,958	20,994	22,701
Miscellaneous	63,141	51,977	86,873	61,497	31,570	20,196
Transfers	102,976	281,274	240,532	416,358	259,033	245,737
Total Governmental Activities	\$ 5,111,458	\$ 5,580,026	\$ 5,768,735	\$ 6,363,684	\$ 6,635,403	\$ 6,227,431
Business-type Activities:						
Investment Earnings	10,048	29,845	114,019	137,869	56,969	15,497
Gain on Sale of Capital Assets	30,315	81,749	--	--	--	--
Insurance Proceeds	15,988	18,697	--	--	--	--
Transfers	(102,976)	(281,274)	(240,532)	(416,358)	(259,033)	(245,737)
Total Business-type Activities	\$ (46,625)	\$ (150,983)	\$ (126,513)	\$ (278,489)	\$ (202,064)	\$ (230,240)
Change in Net Assets	\$ 5,064,833	\$ 5,429,043	\$ 5,642,222	\$ 6,085,195	\$ 6,433,339	\$ 5,997,191
Governmental Activities	\$ 1,334,788	\$ 1,150,046	\$ 969,014	\$ 1,367,269	\$ 997,904	\$ (92,956)
Business-type Activities	\$ (504,182)	\$ 272,279	\$ 866,045	\$ 241,792	\$ 407,067	\$ (102,848)
Total Primary Government	\$ 830,606	\$ 1,422,325	\$ 1,835,059	\$ 1,609,061	\$ 1,404,971	\$ (195,804)

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

CITY OF ARANSAS PASS, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
UNAUDITED

General Fund									
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Reserved	\$ --	\$ --	\$ --	\$ 77,283	\$ 125,016	\$ 99,327	\$ 14,687	\$ --	\$ 45,382
Unreserved	3,258,031	3,455,738	3,821,700	2,489,306	647,336	811,743	1,499,300	1,635,631	1,544,039
Total General Fund	\$ 3,258,031	\$ 3,455,738	\$ 3,821,700	\$ 2,489,306	\$ 772,352	\$ 911,070	\$ 1,513,987	\$ 1,635,631	\$ 1,589,421
All Other Governmental Funds									
Reserved, Reported In:									
Special Revenue Funds	246,168	193,542	147,873	212,346	--	--	--	--	--
Capital Projects Funds	625,700	553,773	748,836	565,596	(2,165)	(1,800)	14,555	24,207	109,880
Debt Service Funds	140,138	242,870	346,108	447,330	--	--	--	--	--
Total All Other Governmental Funds	\$ 1,012,006	\$ 990,185	\$ 4,287,664	\$ 4,072,632	\$ 4,977,578	\$ 4,665,390	\$ 4,985,659	\$ 11,926,774	\$ 6,331,373
									\$ 2,580,638

TABLE E-4

CITY OF ARANSAS PASS, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 UNAUDITED

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes	\$ 3,176,703	\$ 3,407,499	\$ 4,063,071	\$ 4,361,947	\$ 4,647,708	\$ 4,850,148	\$ 5,116,051	\$ 5,344,170	\$ 5,763,768	\$ 5,773,894
Licenses, Fees and Permits	161,520	275,828	295,793	250,467	126,517	92,749	112,074	94,808	65,787	290,681
Intergovernmental	--	1,005,806	194,491	595,260	104,175	207,633	41,474	238,213	93,322	63,368
Charges for Services	790,516	764,445	930,516	765,598	930,387	1,013,140	1,075,096	1,138,679	1,319,462	1,557,015
Fines and Penalties	304,202	281,761	303,317	292,312	360,249	477,729	539,801	375,440	373,455	340,054
Special Assessments	141,531	103,110	72,928	94,748	90,976	281,816	41,714	25,247	15,911	12,989
Investment Earnings	279,836	339,805	150,939	103,783	182,793	226,512	231,018	435,539	420,386	60,477
Rents and Royalties	55,003	168,075	73,987	81,735	139,736	266,845	239,511	241,253	185,795	136,206
PILOT	77,818	82,324	80,400	82,324	71,144	64,225	57,796	52,276	59,590	52,366
Other Revenues	--	30,000	18,500	--	63,141	220,432	96,926	87,738	64,787	8,472,845
Total Revenues	4,987,129	6,458,653	6,183,942	6,628,174	6,660,314	7,574,120	7,578,795	8,031,621	8,417,721	8,472,845
Expenditures										
General Government	551,990	615,245	593,827	1,077,777	885,996	1,086,690	1,129,835	1,153,454	1,022,225	1,178,893
Public Safety	1,367,350	1,478,356	1,656,693	1,687,323	2,071,179	2,284,425	2,318,351	2,463,214	2,542,801	2,637,772
Public Works	673,943	688,075	669,563	956,635	771,531	655,087	651,434	685,593	747,534	728,658
Sanitation	--	--	--	--	664,071	804,729	844,745	906,684	1,055,961	1,162,022
Health and Welfare	739,192	831,144	819,278	811,267	126,411	123,863	144,671	165,370	188,505	365,616
Culture and Recreation	203,695	235,640	246,340	222,100	285,376	307,323	345,138	388,021	473,688	931,250
Tourism	81,296	109,263	131,273	122,836	141,152	156,660	249,402	175,604	131,576	174,744
Capital Outlay	1,699,254	1,348,472	2,965,407	2,464,078	4,407,467	1,258,646	399,654	356,396	9,926,524	3,463,337
Debt Service	491,000	511,000	541,000	632,000	742,362	726,140	756,704	697,289	1,038,071	983,071
Interest and fees	399,566	399,412	374,029	551,584	625,354	559,739	520,406	540,835	1,015,354	890,164
Total Expenditures	6,207,286	6,216,607	7,997,410	8,525,600	10,720,899	7,963,302	7,360,340	7,532,460	18,142,239	12,515,527
Excess of Revenues Over (Under) Expenditures	(1,220,157)	242,046	(1,813,468)	(1,897,426)	(4,060,585)	(389,182)	218,455	499,161	(9,724,518)	(4,042,682)
Other Financing Sources (Uses)										
Bonds Issued	1,950,000	--	3,960,062	--	2,261,105	--	--	6,708,562	4,000,000	--
Refunding Bonds Issued	--	--	--	--	--	--	--	4,435,000	2,105,000	--
Payments to Escrow Agent	--	--	--	--	--	--	--	(4,495,049)	(2,090,551)	--
Insurance Proceeds	--	--	--	--	202,064	--	--	--	--	--
Capital Leases	--	--	--	--	28,424	--	--	--	--	--
Transfers In	175,000	180,000	540,000	350,000	2,613,785	673,358	410,000	867,272	582,402	1,262,582
Transfers Out	--	--	--	--	(2,510,809)	(392,084)	(169,468)	(450,914)	(323,369)	(1,016,845)
Total Other Financing Sources (Uses)	2,125,000	180,000	4,500,062	350,000	2,594,569	281,274	240,532	7,064,871	4,273,482	245,737
Prior Period Adjustments	--	--	--	--	422,462	--	--	--	(42,721)	--
Net Change in Fund Balances	\$ 904,843	\$ 422,046	\$ 2,686,594	\$ (1,547,426)	\$ (1,043,554)	\$ (107,908)	\$ 458,987	\$ 7,564,032	\$ (5,451,036)	\$ (3,796,945)
Debt Service As A Percentage Of Noncapital Expenditures	19.8%	18.7%	18.2%	19.5%	21.7%	19.2%	18.3%	17.3%	25.0%	20.7%

TABLE E-5

CITY OF ARANSAS PASS, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

UNAUDITED

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Occupancy Tax	Other	Total
2000	\$ 1,946,949	\$ 774,571	\$ 339,046	\$ 116,137	\$ --	\$ 3,176,703
2001	1,863,570	886,298	403,331	151,568	--	3,304,767
2002	2,070,181	1,428,784	375,687	188,419	--	4,063,071
2003	2,210,635	1,608,423	360,919	174,245	--	4,354,222
2004	2,331,611	1,749,375	368,474	190,657	7,591	4,647,708
2005	2,508,774	1,751,103	387,932	195,847	6,522	4,850,178
2006	2,521,114	1,971,266	377,821	238,706	7,144	5,116,051
2007	2,613,744	2,090,487	398,789	234,691	6,459	5,344,170
2008	2,954,388	2,213,912	385,256	201,845	8,367	5,763,768
2009	2,872,547	2,326,056	393,495	173,469	8,327	5,773,894
Percent Change 2000-2009	47.5%	200.3%	16.1%	49.4%		81.8%

CITY OF ARANSAS PASS, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Assessed Value	Assessment Ratio	Total Taxable Assessed Value	Total Direct Tax Rate	Tax Levy
2000	\$ 206,969,592	100.00%	\$ 206,969,592	0.870	\$ 1,800,635
2001	228,884,775	100.00%	228,884,775	0.832	1,903,978
2002	249,196,574	100.00%	249,196,574	0.810	2,018,492
2003	265,606,127	100.00%	265,606,127	0.790	2,098,288
2004	297,493,600	100.00%	297,493,600	0.750	2,231,202
2005	352,638,418	100.00%	352,638,418	0.670	2,362,664
2006	380,362,543	100.00%	380,362,543	0.634	2,409,978
2007	421,491,850	100.00%	421,491,850	0.6012	2,534,009
2008	490,811,034	100.00%	490,811,034	0.580	2,846,704
2009	487,538,448	100.00%	487,538,448	0.580	2,827,723

Source: San Patricio County Appraisal District

TABLE E-7

CITY OF ARANSAS PASS, TEXAS

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

TABLE E-8

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Coastal Navy Housing	\$ 9,498,626	1	1.95%	\$		
Wal-Mart Real Estate	9,329,621	2	1.91%			
Lowes Home Centers Inc	8,582,894	3	1.76%			
Lowes Companies Inc #2506	6,168,095	4	1.27%			
North Bay Gen Hospital	5,629,428	5	1.15%			
Wal-Mart Stores Texas LP 0555	4,931,584	6	1.01%		(1)	
AEP Texas Central Comp	4,141,570	7	0.85%			
Carolyns Texas LP	3,440,824	8	0.71%			
Aransas Pass Lodging, Inc	2,646,059	9	0.54%			
SSP Partners A Tex Gen	2,307,704	10	0.47%			
Total	\$ 56,676,405		11.63%	\$ --		--

Source: Sam Patricio County Appraisal District.

(1) 2000 information is not available.

CITY OF ARANSAS PASS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy	Percentage of Levy	Collections In Subsequent Years	Amount	Total Collections to Date	Percentage of Levy
2000	\$ 1,800,635	\$ 1,649,062	91.58%	\$ 117,755	\$ 1,766,817		98.12%
2001	1,903,978	1,767,086	92.81%	109,790	1,876,876		98.58%
2002	2,018,492	1,879,940	93.14%	110,419	1,990,359		98.61%
2003	2,098,290	1,954,849	93.16%	110,914	2,065,763		98.45%
2004	2,263,488	2,129,242	94.07%	99,415	2,228,657		98.46%
2005	2,361,086	2,239,461	94.85%	83,798	2,323,259		98.40%
2006	2,448,503	2,321,225	94.80%	70,204	2,391,429		97.67%
2007	2,534,009	2,405,181	94.92%	112,704	2,517,885		99.36%
2008	2,846,704	2,767,047	97.20%	29,927	2,796,974		98.25%
2009	2,827,723	2,772,611	98.05%	--	2,772,611		98.05%

CITY OF ARANSAS PASS, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	General Banded Debt	Percentage of Actual Taxable Value of Property	Per Capita	Business-type Activities			
				Water & Sewer Revenue Bonds	Harbor Revenue Bonds	Certificates of Obligation	
2009	\$ 7,841,000	3.09%	968	18,050,000	3.70%	2,111	
2008			2,218	18,962,000	3.86%		
2007			1,849	15,809,000	3.75%		
2006			1,255	10,206,000	2.68%		
2005			1,347	10,953,000	3.11%		
2004			1,435	11,670,000	3.92%		
2003			1,249	10,157,000	3.82%		
2002			1,326	10,789,000	4.26%		
2001			901	7,330,000	3.20%		
2000	\$ 7,841,000	3.09%	968				
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2000	\$ --			310,000	\$ 945,000		
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CITY OF ARANSAS PASS, TEXAS
PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Utility Service Charges	Less: Operating Expenses(1)	Net Available Revenue	Service Requirements	Debt Coverage
2000	\$ 2,279,616	\$ 2,361,570	(81,954)	N/A	N/A
2001	2,498,837	2,022,517	476,320	N/A	N/A
2002	2,403,032	2,033,030	370,002	N/A	N/A
2003	2,636,310	2,165,829	470,481	N/A	N/A
2004	2,714,649	2,610,882	103,767	N/A	N/A
2005	3,256,196	2,531,919	724,277	N/A	N/A
2006	3,904,625	2,503,827	1,400,798	N/A	N/A
2007	3,750,505	2,550,093	1,200,412	N/A	N/A
2008	3,637,311	2,639,673	997,638	N/A	N/A
2009	3,632,810	2,783,559	849,251	N/A	N/A

Fiscal Year	Service Charges	Less: Operating Expenses(1)	Net Available Revenue	Service Requirements	Debt Coverage
2000	\$ 328,376	\$ 64,775	263,601	54,045	4.88
2001	303,890	87,922	215,968	46,031	4.69
2002	348,938	85,773	263,165	44,679	5.89
2003	339,362	247,911	91,451	53,984	1.69
2004	326,523	419,944	(93,421)	54,930	(1.70) (2)
2005	246,757	84,595	162,162	52,760	3.07
2006	216,631	120,204	96,427	52,845	1.82
2007	238,000	496,410	(258,410)	51,350	(5.03) (3)
2008	141,737	213,992	(72,255)	N/A	N/A
2009	160,237	319,711	(159,474)	N/A	N/A

(1) Exclusive of interest and depreciation.
 (2) Cash restricted for bond indebtedness is available in Harbor Fund to retire remaining balance of revenue bonds.
 (3) All Harbor Revenue Bonds were retired in 2007.

TABLE E-11

CITY OF ARANAS PASS, TEXAS
SELECTED WATER AND SEWER FUND DATA
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2009
UNAUDITED

TABLE E-12

<u>Fiscal Year Ended September 30,</u>	<u>Water Connections</u>	<u>Sewer Connections</u>	<u>Gallons of Water Consumed</u>
2000	3,445	2,804	436,169,300
2001	3,505	2,838	471,101,900
2002	3,508	2,939	421,871,500
2003	3,583	3,006	426,856,600
2004	3,628	3,047	389,790,192
2005	3,686	3,076	406,558,800
2006	3,739	3,119	431,123,700
2007	3,774	3,136	436,988,100
2008	3,875	3,237	439,000,800
2009	3,804	3,166	438,633,990

CITY OF ARANSAS PASS, TEXAS

INSURANCE IN FORCE

SEPTEMBER 30, 2009

UNAUDITED

TABLE E-13

POLICY	COVERAGE	EXPIRATION
Texas Municipal League Intergovernmental Risk Pool #8731	Real and Personal Property, \$20,428,086 Mobile Equipment, \$672,029 Errors & Omissions, \$1,000,000 occurrence, \$2,000,000 annual aggregate Law Enforcement Liability, \$3,000,000 occurrence, \$6,000,000 annual aggregate General Liability, \$3,000,000 occurrence, \$6,000,000 annual aggregate Auto Liability, \$3,000,000 occurrence, \$25,000 Medical Auto Physical Damage, coverage varies per vehicle Workers Compensation, limit statutory Public Employee Dishonesty, \$100,000 Forgery, Theft, Computer Fraud, \$20,000	October 1, 2010
Texas Windstorm Insurance Assc. 20777714	Windstorm and Hail, \$11,662,986 80% Coinsurance	November 5, 2009